

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

**April 25, 2018**

MOTOR CARRIER MATTER

☐

DOCKET NO.

**2018-2-E**

UTILITIES MATTER

☒

ORDER NO.

**SUBJECT:**

[DOCKET NO. 2018-2-E](#) - Annual Review of Base Rates for Fuel Costs for South Carolina Electric & Gas Company - Staff Presents for Commission Consideration South Carolina Electric & Gas Company's Annual Review of Base Rates for Fuel Costs.

**COMMISSION ACTION:**

Mr. Chairman, fuel cases have become vastly more complex than they have been historically, and I shall attempt to be thorough in my motion.

First, Mr. Chairman, I move that we approve the fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (2015) of SCE&G as reasonable and prudent for the period January 1, 2017, through December 31, 2017. These matters, which historically were the central issues in our annual fuel proceedings, were essentially uncontested during this proceeding.

Second, Mr. Chairman, I move that we find the methodologies used by SCE&G to calculate its avoided energy costs under PURPA are reasonable and prudent, and that, likewise, the resulting avoided energy costs proposed by SCE&G are also reasonable and prudent. Moreover, since effectively all new Qualifying Facilities requesting to connect with SCE&G are solar installations, it is appropriate that a solar profile be used in valuing the contributions of the installations to SCE&G's system. It is my understanding that SCE&G was operating with limited data when developing the current solar profile. I move that we expect and require that SCE&G continue to refine the solar profile as more installations come online and update the profile such that solar is given all due credit for the benefits of their generation.

Third, Mr. Chairman, I move that we find the avoided capacity cost proposed by SCE&G reasonable and prudent. This, above all, was the most litigated and contested point at hearing – and with good reason. The avoided capacity cost being proposed is \$0.00. I think that this represents a novel approach by SCE&G to characterize itself as a winter-peaking utility, which is different from my historic understanding of the company's load profile. The implications of a winter-peaking system load upon avoided capacity for solar-dependent generators is severe. Indeed, it seems to be that, but for having to make up for some 300 MW of solar power that is not available during peak demand in the winter, it would still be a summer-peaking utility. I would strongly urge the utility to investigate and implement additional Demand-Side Management and Energy Efficiency measures targeted at reducing load during the winter peak, such that the utility would be positioned to avoid capacity cost with solar generation.

Point in fact, however, we were not presented with a viable avoided capacity cost factor by any party except SCE&G. The other parties took great pains to explain how they believe

SCE&G inappropriately derived its factor, but the parties failed to present an alternative for us to consider. In these fuel proceedings, it is not legally sound under 58-27-865(A)(2)(c) to assert that, because a party disagrees with the newly proposed factor, then a legacy factor approved in a prior proceeding should be maintained. Moreover, it is not sufficient for a litigating party to meet its burden of proof by asking a utility, after the hearing, to develop a new factor pursuant to that party's specifications for inclusion in rates – an approach several parties would have us do as suggested by proposed orders.

We are, however, bound to the record as it exists. For these reasons, I think we should approve SCE&G's proposed PR-1 and PR-2 rates for use beginning with the first billing cycle in May 2018. Mr. Chairman, I would point out that this decision will have positive impacts for ratepayers of all classes.

Fourth, Mr. Chairman, I move that we find SCE&G's calculation and method of accounting for avoided and incremental costs for NEM during the Review Period were reasonable and prudent, were consistent with the methodology found reasonable in Commission Order No. 2015-194, and complied with S.C. Code Ann. § 58-40-10, et seq. (2015). Additionally, the updated components of value for NEM Distributed Energy Resources proposed by the Company properly evaluates and/or quantifies all categories of potential costs or benefits to SCE&G's system at this time. Accordingly, SCE&G's proposed revisions to its "Rider to Retail Rates – Net Energy Metering for Renewable Energy Facilities" and "Adjustment for Fuel, Variable Environmental, & Avoided Capacity, and Distributed Energy Resource Program Costs" tariffs are just and reasonable and approved for use beginning with the first billing cycle in May 2018.

I also move that we find SCE&G's DER programs offered during the Review Period were reasonable and prudent, complied with Commission Order Nos. 2015-194 and 2015-512, and were designed to meet SCE&G's statutorily designated goals as set by S.C. Code Ann. § 58-39-130 (2015).

Mr. Chairman, the resulting fuel factor after adjustments for a Residential customer is going to be 2.576 cents per kWh.

I would take a moment to note the following things. While the parties have been afforded due process in this proceeding, I have reflected upon the greatly increased complexity of fuel cases going forward, and would request that Commission Staff set an appropriate procedural schedule in future fuel proceedings, affording the parties ample opportunity to perform analyses and make recommendations. Further, while the avoided capacity rate will be set at \$.00 for the next year – and it is only effective for one year - the parties will be free to revisit the rate in the next annual fuel case proceeding. Mr. Chairman, with the increased complexity of the litigation in this and foreseeable fuel proceedings, I recommend that we require the matter of setting the PR-1 and PR-2 rates, and the underlying avoided capacity and avoided energy costs be raised and settled only in the annual proceeding. I think that having a new hearing on the issues more than once per year is simply unworkable and would ultimately result in near-continuous litigation and would fail to provide adequate certainty to solar developers and the Company. I would also note that in the interim time, while the proposed avoided capacity rate has been established, the benefits of the resulting rates will flow directly to the customers.

PRESIDING: Whitfield

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
BOCKMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

ELAM	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FLEMING	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HOWARD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Absent

Family Sick Leave

(SEAL)



RECORDED BY: J. Schmieding